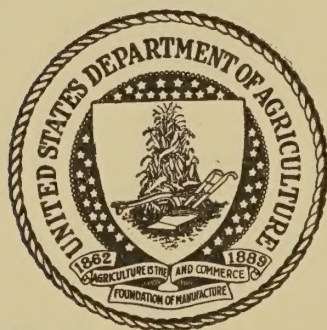


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GRAPHIC ANALYSIS

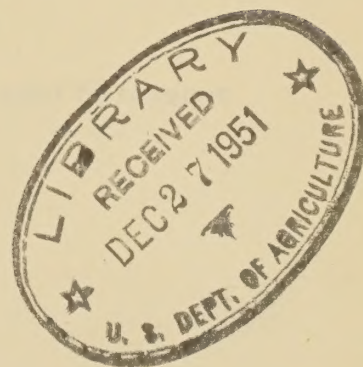
OF

FLOYD COUNTY RURAL ELECTRIC COOPERATIVE, INCORPORATED

FLOYDADA, TEXAS

(TEXAS 55 FLOYD)

IN COMPARISON WITH COOPERATIVE "X"



RURAL ELECTRIFICATION ADMINISTRATION
MANAGEMENT DIVISION

INDEX

SUMMARY

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B. Cost of power (per KWH)

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CONCLUSION

THIS IS THE PROBLEM

SUMMARY

The following analysis has been prepared for the purpose of presenting a comparison between your cooperative -- Texas 55 -- and Cooperative X -- another cooperative of corresponding age and of identical economic and territorial conditions.

Cooperative X has connected a high percent of its potential members; and, although its KWH-usage per-member was potentially low, it has attained a high percent of the potential. On the other hand, Texas 55 has fallen short of both of these goals, although, potentially, the average KWH-usage per member was far above average.

The study shows that Cooperative X has ample revenue and is earning a high percent of its debt service requirement. On the contrary, Texas 55 is operating with unnecessarily small revenue, and its cash available for debt service is precariously low.

Chart # 1

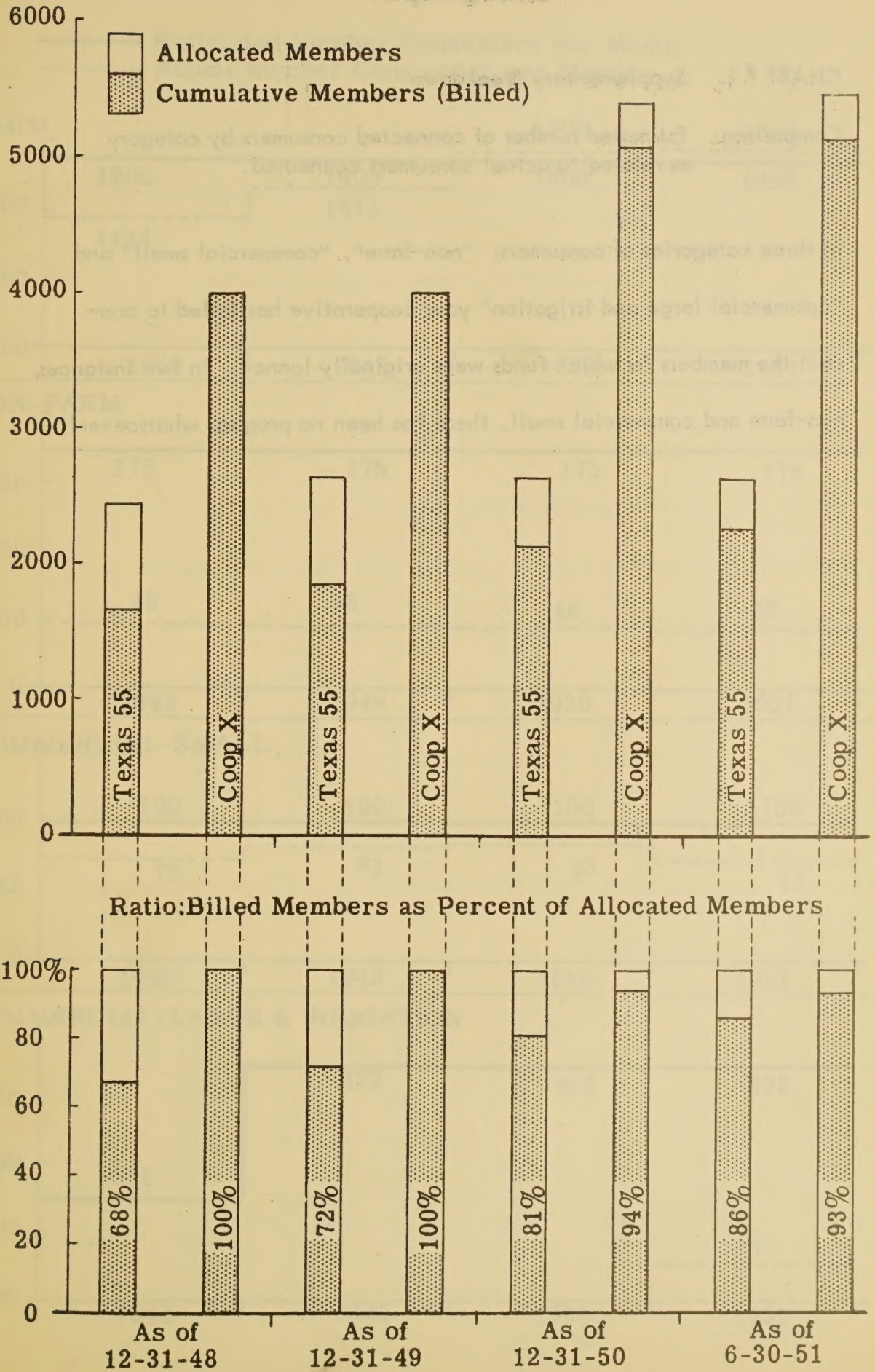
Building Program

Comparison: (A) Allocated members as related to billed members.

(B) Billed members as a percent of allocated members.

Observe that in every instance Cooperative X has a higher percent of billed members to allocated members than your Cooperative. This indicates that you need a more aggressive building program.

Chart #1



Building Program

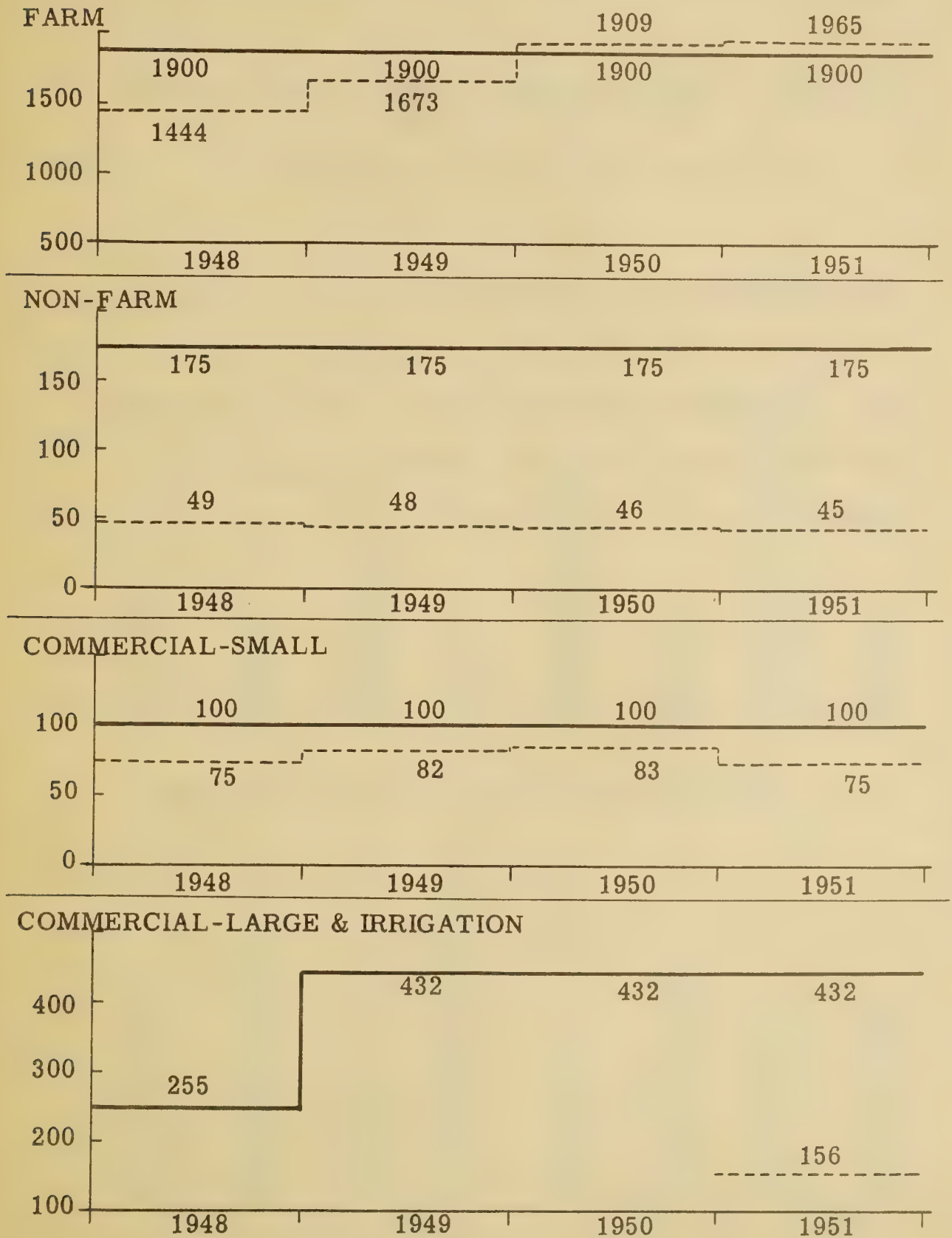
CHART # 1. Supplementary Breakdown

Comparison: Estimated number of connected consumers by category as related to actual consumers connected.

In three categories of consumers: "non-farm", "commercial small" and "commercial large and irrigation" your cooperative has failed to connect the members for which funds were originally loaned. In two instances, non-farm and commercial small, there has been no progress whatsoever!

Chart #1
Supplementary Breakdown

———— Estimated Number Consumers per Month
----- Actual Number Consumers per Month



Power Use

CHART # 2

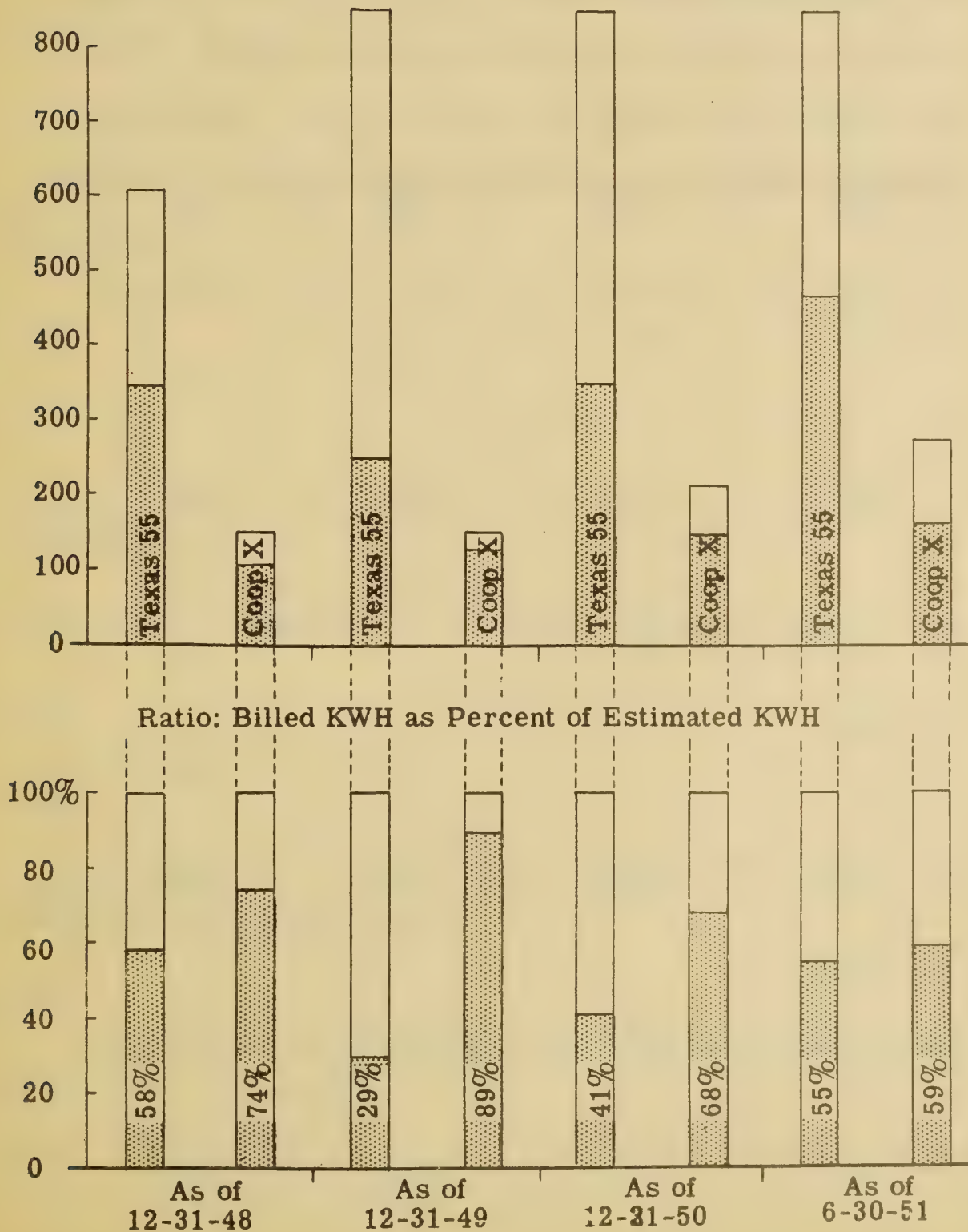
Comparison: (A) Estimated average KWH usage per member per month related to actual billed usage.

(B) Billed KWH as percent of estimated KWH

Your cooperative has never exceeded 58% of the usage anticipated at the date the loan was made. Cooperative X has exceeded this record at all times. This emphasizes a lack of recognition, or at least a lack of positive action, regarding a power use program by the management of your cooperative. This lack of action reflects in a lack of revenue.

Chart #2

Estimated Average KWH per Member per Month (Allocated)
 Actual Average KWH per Member per Month (Billed)



Power Use

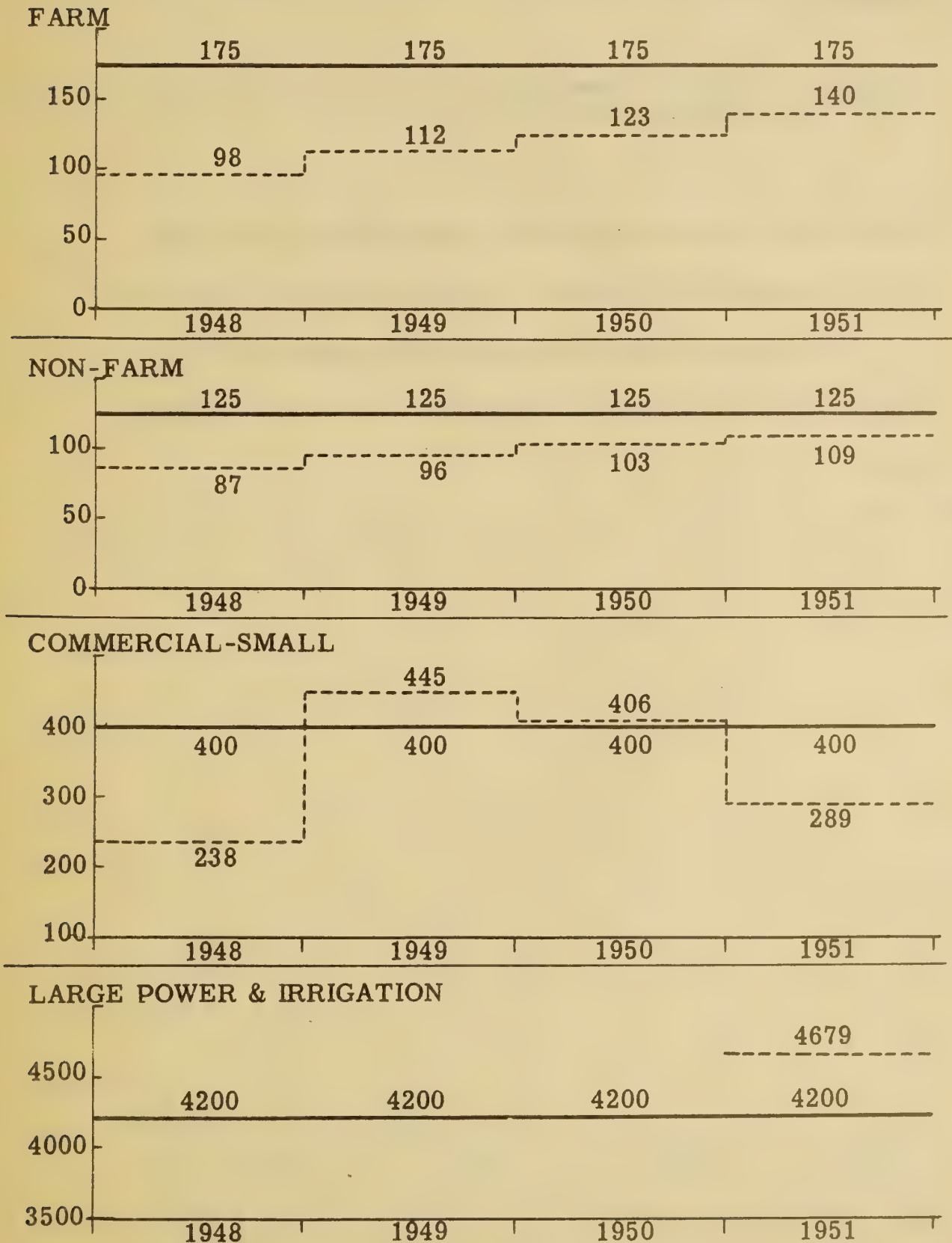
CHART # 2 Supplementary Breakdown

Comparison: Estimated average KWH per month as against actual
average KWH used per month. (Per Member)

This comparison points out in which categories of consumer you are failing. Improvement is being shown in the farm and non-farm categories. However, your commercial small class of consumer needs attention. Continued effort is needed in other categories until KWH estimates are equalled or exceeded.

Chart #2
Supplementary Breakdown

———— Estimated Average KWH per Month (Per Member)
----- Actual Average KWH per Month (Per Member)



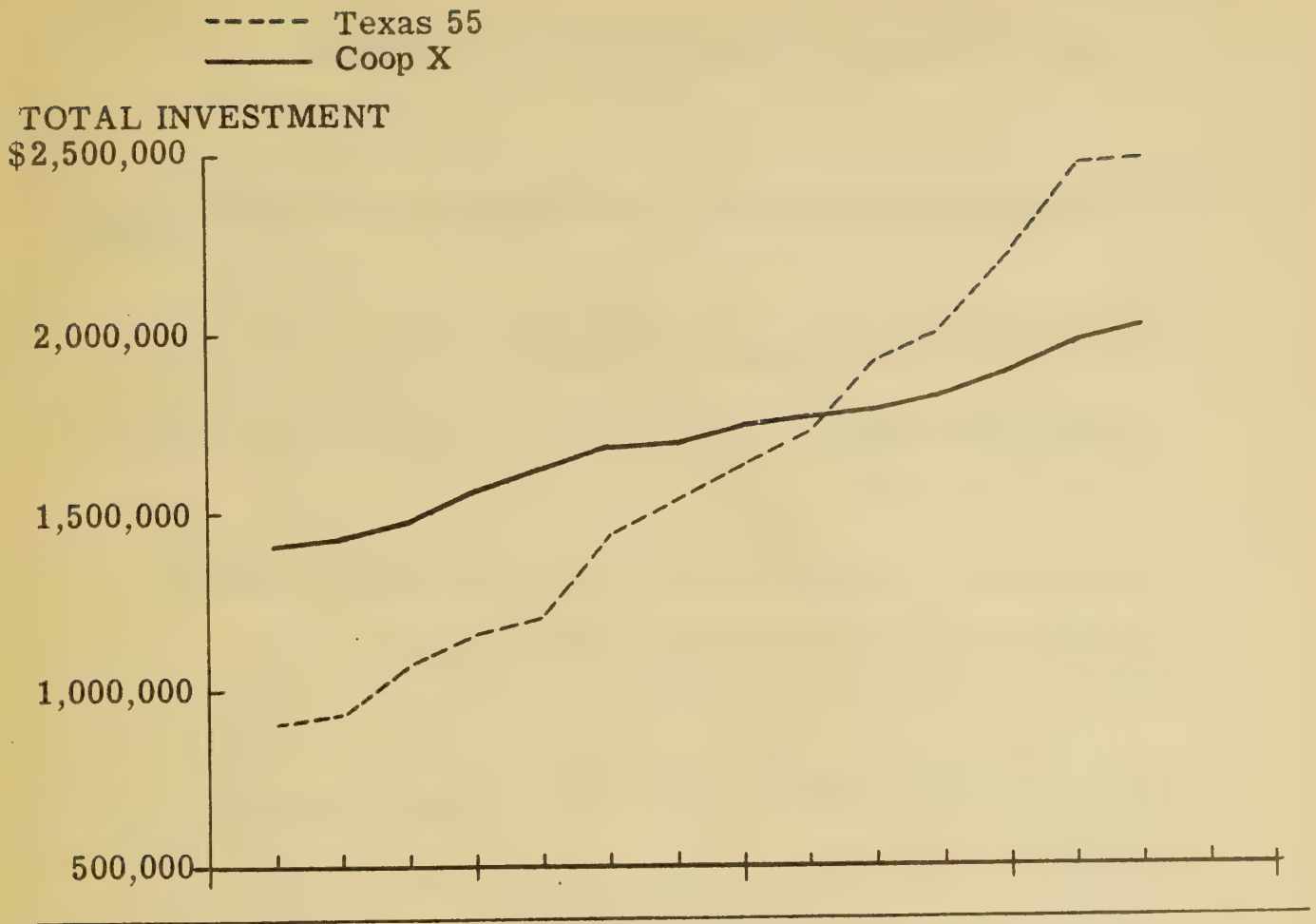
Return on Investment

CHART # 3

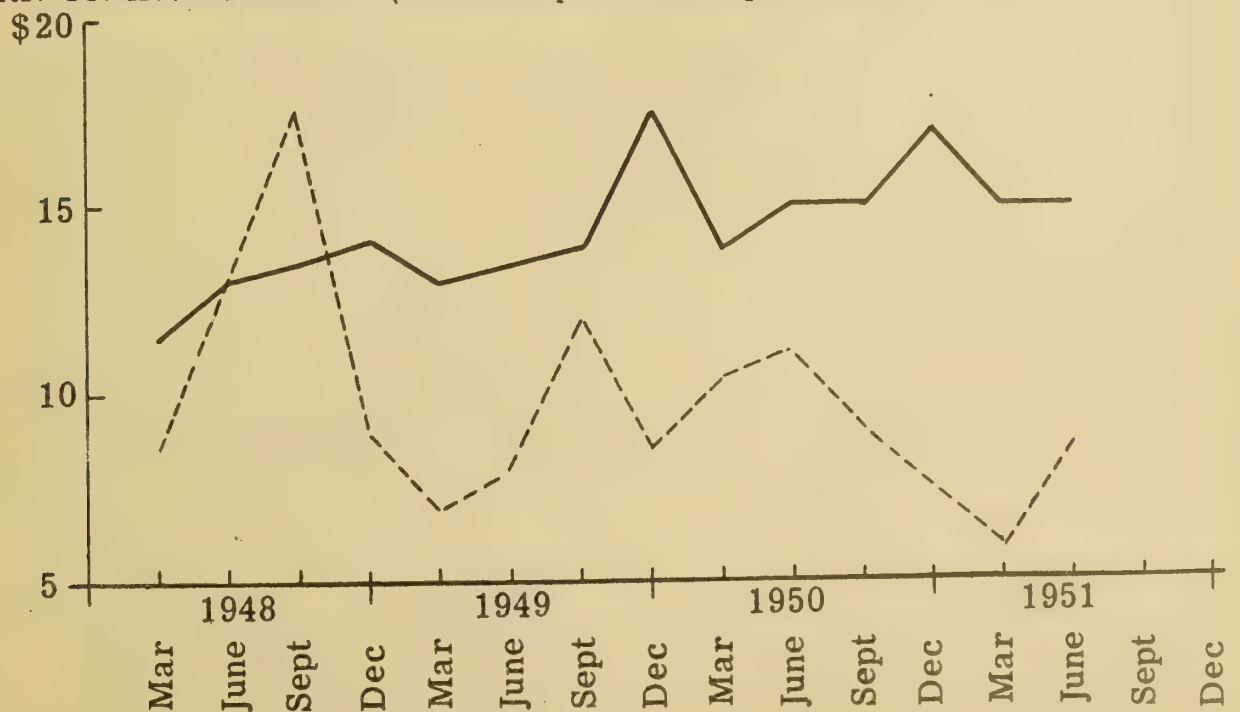
Comparison: Investment of Texas 55 and Cooperative X as compared to revenue per \$1,000.00 invested.

Observe that as the investment on your cooperative has increased your return on investment has decreased. The opposite is true for Cooperative X. This indicates that with similar conditions the management of your cooperative has failed to make as judicious use of its funds as Cooperative X.

Chart #3



RETURN ON INVESTMENT (Revenue per month per \$1000 invested)



Operating Expenses -- Controllable and Uncontrollable

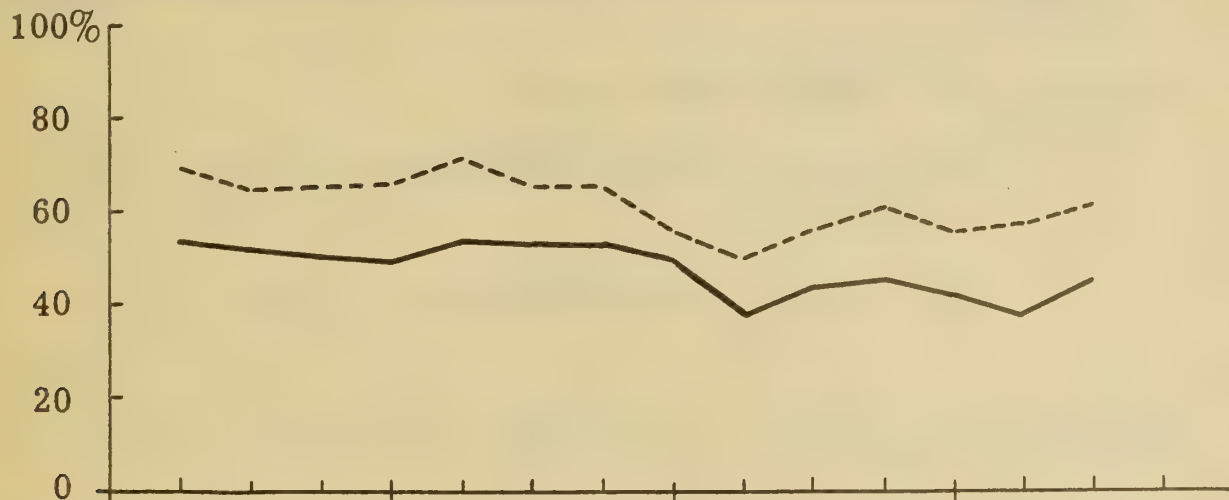
CHART # 4

- (A) Note that total operating expenses as a percent of revenue are consistently and considerably higher for Texas 55 than for Cooperative X.
- (B) Note that cost of power per KWH (the major uncontrollable operating expense) is almost exactly the same for each cooperative.
- (C) Note that after deducting the cost of power, the remaining operating expenses for Texas 55 fluctuate widely, as compared to the steady trend for Cooperative X. This wide fluctuation of Texas 55 indicates that controllable expenses are not carefully watched and indicates a lack of planning on the part of management.

Chart #4

----- Texas 55
 ——— Coop X

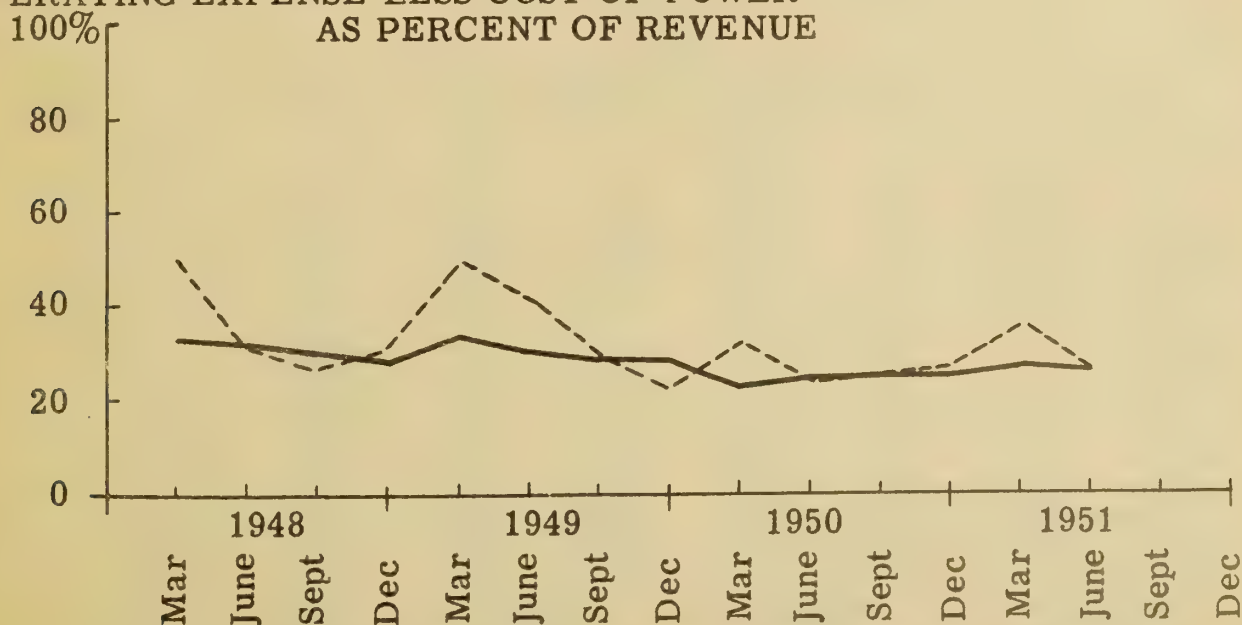
TOTAL OPERATING EXPENSES AS PERCENT OF REVENUE



COST OF POWER (per KWH)



OPERATING EXPENSE LESS COST OF POWER
 AS PERCENT OF REVENUE



(The above illustrates fact that main source of trouble is lack of revenue)

Cash Margins

CHART # 5

- Comparison:
- (A) Average monthly revenue
 - (B) Average monthly cash margin before depreciation and interest.
 - (C) Cash margin as percent of revenue

Observe that although there is a steady increase in both revenue and cash margin in both cooperatives, the cash margin as a percent of revenue for Texas 55 lags that of Cooperative X by from 14 to 18 percent annually. The next chart will show the effect of this lag as related to percent of debt service earned.

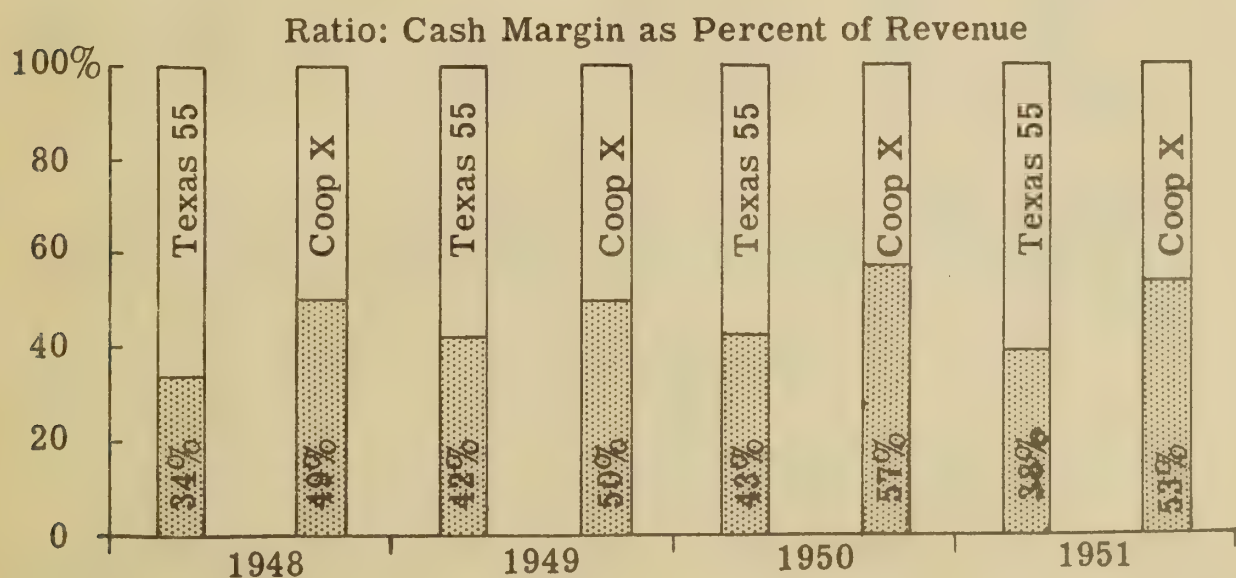
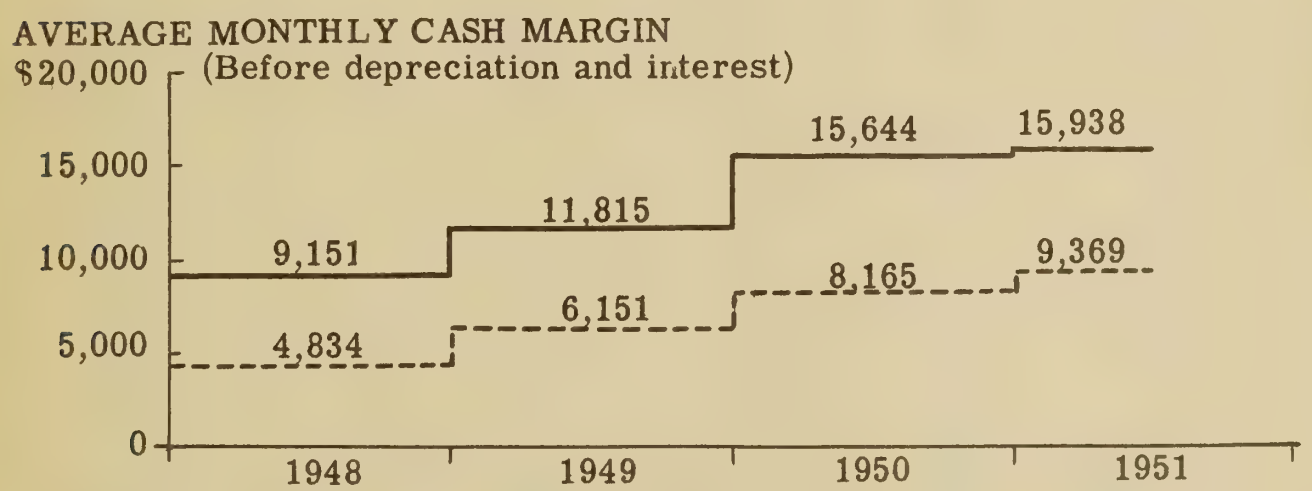
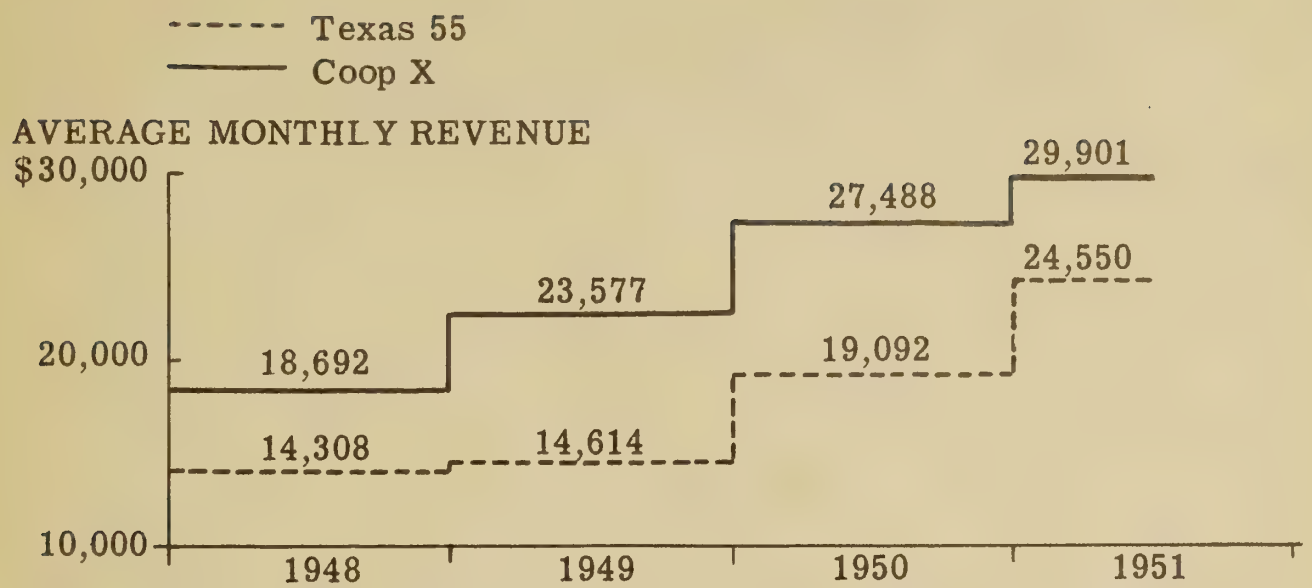
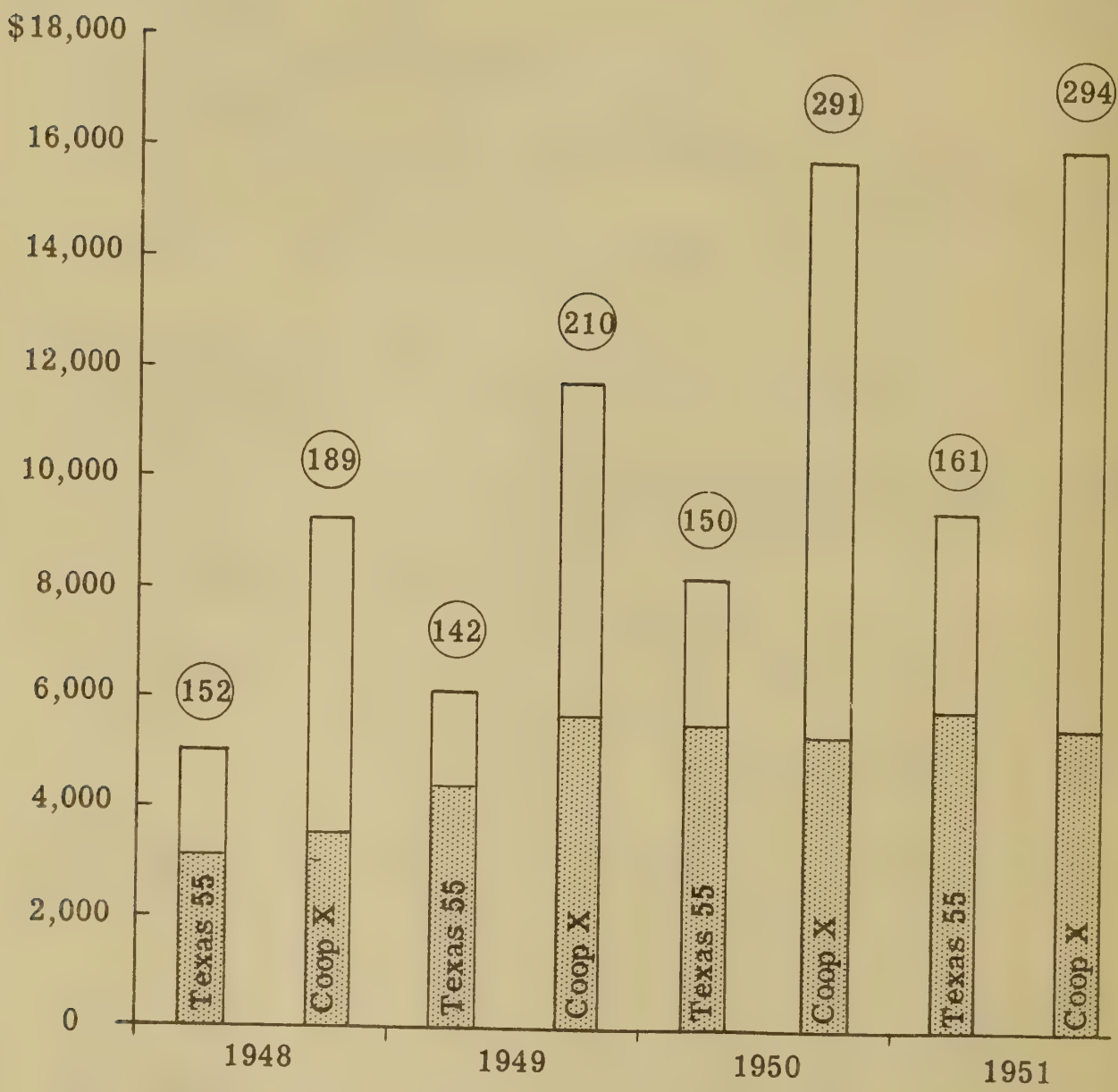
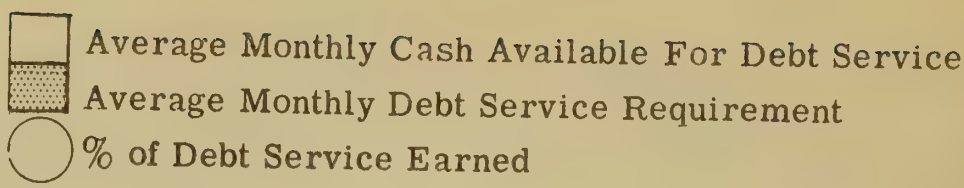


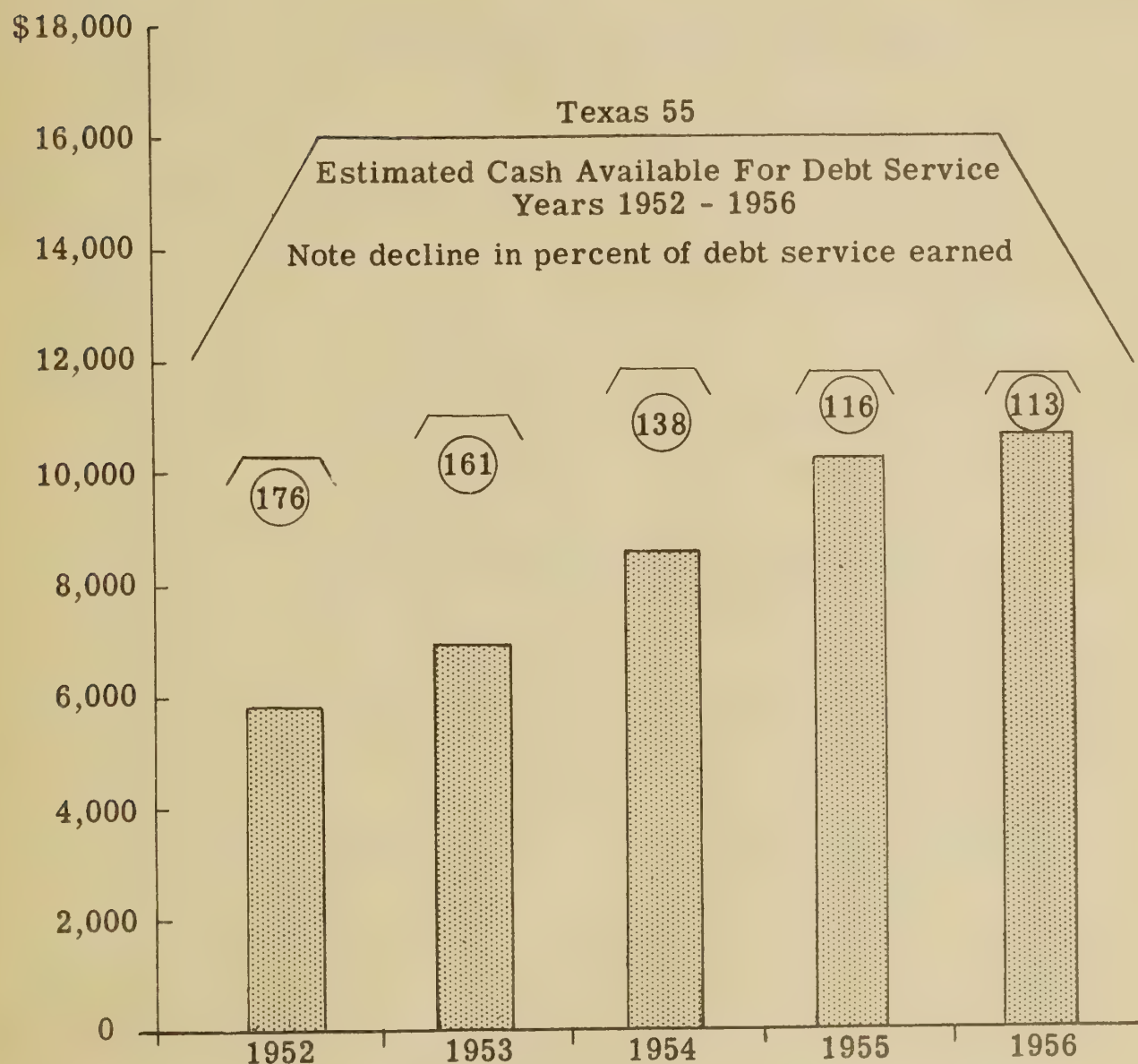
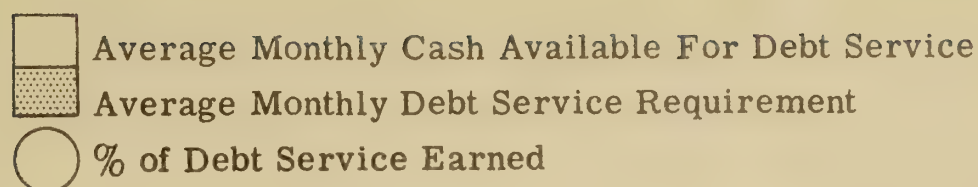
Chart #6



Although 'Texas 55' is earning more than 100% of debt service, it cannot be considered good. The following is a rule of thumb, based on utility-experience, of the classification of percentages of debt service earned:

0 - 100%	Poor
100 - 149	Fair
150 - 199	Average
200 - 249	Very Good
250 and over	Excellent

Based on this standard, Texas 55 has at no time been above average.



The estimated cash available compared to increasing debt service requirements over the next five years, indicates that the percent of debt service earned will decline to 113% -- a low "fair". This estimate of cash available in the next five years was predicated on actual debt service on existing loans and the optimistic assumption that the allocated "ultimate" of 2825 members will be billed in 1954.

The only way for the cooperative to keep from running into real trouble is to reach its goal in both members and KWH-usage at the earliest date possible--and to follow through with all related good management practices.

THIS IS THE ANSWER

Conclusion

As pointed out in the introductory summary, the two cooperatives portrayed in this graphic analysis are practically the same age, and have identical economic and territorial conditions. The one main point of difference has been "management".

Cooperative X has had aggressive management, and as a result has achieved a high percentage of its potential in total members and also in average KWH-usage per member. The net result has been high revenue. Cooperative X also has been efficiently managed, and the net result of efficient management has been nominal and controlled operating expenses. As a result of this overall good management, Cooperative X is now earning a high percent of its debt service requirement and can face the future without fear for the wherewithal to retire its long-term debt to the United States Government.

On the contrary, Texas 55 has failed to exploit the potential easily within its grasp, and the result is vividly portrayed in the foregoing graph projecting a steadily decreasing percent of debt service earned.

Finally, unless more efficient and aggressive policies are employed, Texas 55 may easily become delinquent in its long term debt to REA.

